DOCUMENT RESUME

ED 156 198 IR 006 431

AUTHOR Beck, Henry J.; Parrish, Roy James, Jr.
TITLE Integrating Computer Concepts into Principles of Accounting.
PUB DATE Jun 77
NOTE 19p.; Paper presented at the Conference on Computers in the Undergraduate Curricula (East Lansing, Michigan, June 20-22, 1977); For entire proceedings, see IR 006 142

EDRS PRICE MF-$0.83 HC-$1.67 Plus Postage.
DESCRIPTORS *Accounting; Autoinstructional Aids; *Business Education; *Computer Assisted Instruction; Computer Science Education; *Course Descriptions; Data Processing; Higher Education; *Instructional Innovation; Integrated Curriculum; Undergraduate Study

ABSTRACT

A package of instructional materials for an undergraduate principles of accounting course at Danville Community College was developed based upon the following assumptions: (1) the principles of accounting student does not need to be able to write computer programs; (2) computerized accounting concepts should be presented in this course; (3) materials should reflect current accounting practice and be compatible with most textbooks; (4) materials should illustrate the use of the computer in all phases of the accounting cycle (recording, classifying, posting, summarizing, and statement preparation); (5) the use of the materials (computer programs) should require the student to demonstrate a knowledge of accounting concepts; and (6) data entry and detection of keypunching errors should be made as simple as possible for the student. The course package consists of coding forms for recording accounting transactions, a series of accounting problems, and a group of computer programs used to produce a set of accounting documents. After the student is introduced to accounting concepts using the traditional manual approach to the solving of accounting problems, the computer package is used to reinforce these concepts. Sixteen figures of materials contained in the course package are included, along with a list of advantages derived from integrating computerized concepts into the accounting course. (CHV)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY

ED156198

INTEGRATING COMPUTER CONCEPTS INTO PRINCIPLES OF ACCOUNTING

BY

Henry J. Beck

and

Roy James Parrish

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

Ted Sjoersma

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC) AND USERS OF THE ERIC SYSTEM."

IR006431

Integrating Computer Concepts Into Principles of Accounting

Henry J. Beck and Roy James Parrish, Jr.[1]
Danville Community College
Danville, Virginia 24541

Introduction

The use of the computer as a tool of business has made the integration of computer concepts and the integration of computer problem-solving capability a necessity in the principles of accounting course. The widespread use of credit by individuals and business has increased the number of business transactions which must be recorded, classified, and summarized. In addition, various governmental regulations have required business organizations to provide accurate accounting information in great volume and at tremendous speed. Business has met this increased demand for accounting records and information through the use of the computer. In fact, there are few areas of management that do not require at least a cursory knowledge of automated recordkeeping procedures.

The traditional approach to the teaching of accounting requires the student to demonstrate mastery of accounting concepts through the manual preparation of journals, ledgers, and financial statements. The tedious and time-consuming mathematical computations and manipulations required to record, post, and summarize accounting data often discourage students from further study in accounting. The detail calculations are stressed more than the accounting concepts. The presentation of these traditional manual methods to the accounting student of today gives the student an unrealistic view of the accounting profession. The accounting student of today must be permitted extensive exposure to the use of the computer as a valuable tool of the accountant. This exposure should be acquired through the integration of computerized techniques in the principles of accounting course.

Problems of Integration

The integration of computer concepts into the principles of accounting course (as well as other subject areas) has presented significant problems in the past and continues to do so. One of the most significant problems relates to the degree of technical knowledge concerning computers required of the accounting student. This problem restated is: "Should emphasis be placed on writing programs or should emphasis be placed on the use of the computer as a tool for solving accounting problems?" The authors believe that emphasis is best placed on the use of the computer as a problem-solving tool, particularly in the principles of accounting course. In actual practice, the accountant probably will not be required to write programs. Rather, he will be required to use software systems or programs developed by specialists in computer programming. The accountant is most concerned with the capabilities of a computing system and needs to have a familiarity with input preparation and output interpretation. These statements are not intended to infer that the accountant should not be able to program a computer; however, a knowledge of procedures and computer problem-solving capability is more valuable than programming skill.

The source of the instruction concerning computer concepts and procedures is an area of concern. Should the accounting student receive this instruction in courses offered by the data processing department or in his principles of accounting course? The data processing instructor in most cases is not an accountant and may tend to emphasize applications of data processing other than accounting. The accounting instructor may lack the technical expertise needed to mean-

ingfully integrate computerized procedures into the principles of accounting course.

Additional problems are created by attempts at integration because the accounting student is required to gain proficiency in two very specialized disciplines—accounting and computerized techniques. Skill must be acquired in the operation of new machines (i.e., the keypunch). In addition, new terminology must be incorporated into the student's vocabulary (i.e., card, record, edit, printout, etc.). During this time, the mastery of accounting principles must be occurring also.

Probably overshadowing all other problems of integrating has been the lack of satisfactory instructional materials. Until recently, instructional materials in this area applied only to small segments of the accounting cycle or were considered games to be played by students.

Development of an Instructional Package of Computer Programs

In the summer of 1973, members of the accounting department and data processing department of Danville Community College began a joint effort to develop instructional materials that could be used to integrate computer concepts and automated procedures into the principles of accounting course. The development of these materials began with these assumptions:

1. The principles of accounting student does not need to be able to write computer programs.
2. Computerized accounting concepts should be presented in the principles of accounting course.
3. Materials developed should reflect current accounting practice and be compatible with most principles of accounting textbooks.
4. Materials developed should illustrate the use of the computer in all phases of the accounting cycle (recording, classifying, posting, summarizing, and statement preparation).
5. The use of the materials (computer programs) should require the student to demonstrate a knowledge of accounting concepts.
6. Data entry and detection of keypunching errors would be made as simple as possible for the student.

With these assumptions in mind, a package of instructional materials was developed at Danville Community College. This package consisted of coding forms for recording accounting transactions, a series of accounting problems, and a group of computer programs used to produce a set of accounting documents.

The programs consisted of two groups of programs referred to as Phase I and Phase II. The programs of Phase I accomplished the recording, classifying, posting, and summarizing functions of the accounting cycle. Phase I produced a sales journal, purchases journal, cash receipts journal, cash payments journal, general journal, general ledger, and trial balance. Phase II performed the adjustment and statement preparation function. Adjusting entries were recorded in the general journal, posted to the general ledger, and an adjusted trial balance, income statement, capital statement, and balance sheet were prepared by the Phase II programs. Student input cards were also checked for keypunching errors in each phase with an appropriate error message being produced for each keypunching error detected. Journal and statement totals were checked at key points in Phase I and Phase II to determine if they were in balance. The detection of a keypunch error or totals which were not in balance caused the programs to terminate.

The programs were designed for flexibility and were capable of processing transactions relating to sole proprietorships, partnerships, or corporations. The capability to establish beginning account balances was also provided.

Solving Accounting Problems Using a Computerized Approach

To use the package of computer programs and related materials developed at Danville Community College, the student must perform all analysis that would normally be performed using manual methods. Figure 1 is a

typical accounting problem that might be encountered in a principles of accounting course and illustrates the use of Phase I. The student would read each transaction and decide which journal should be used to record the transaction. Coding sheets are provided for coding entries to be recorded in each journal (Figure 3—sales journal, purchases journal, cash receipts journal, cash payments journal, and general journal coding forms). The student then records the transaction on the proper coding form. Such information as the date of the transaction, the account number of the account to be debited or credited, a transaction identifier (check number, invoice number, etc.), name of customer, amount of the transaction, discount basis or sales tax, discount percentage, and journal code. The account number is selected from the chart of accounts (Figure 2) provided for the student. The student must perform the above operations for each accounting transaction.

When all transactions have been recorded on coding sheets, the student punches each line recorded on the coding sheet into a separate card. When punching is completed, the deck is assembled by placing two identification cards at the beginning of the deck. If the beginning account balances are zero, a "+" card is placed after the identification cards followed by the transaction cards. An "*" card is placed at the end of the deck. The job is then processed by the computer. If no keypunching errors are detected, the sales journal, purchases journal, cash receipts journal, cash payments journal, general journal, ledger, and trial balance are produced (Figures 4 through 10). The package has the capability of producing selected journals. If keypunching errors are detected, the student corrects the error or errors and resubmits the job.

Figure 11 is a continuation of the problem shown in Figure 1 and illustrates Phase II of the package of computer programs. The student again analyzes the transactions and records the adjusting entries on general journal coding forms. Credit amounts are preceded by a minus (-) sign. Student decks are assembled as described in Phase I. Beginning account balances for Phase II can be keypunched directly from the trial balance produced by Phase I. The account number is punched in cc 1-3 with the amount punched anywhere in cc 4-80. The deck is then submitted for processing. If keypunching errors are not detected, the adjusting entries are recorded in the general journal, posted to the ledger, summarized in the adjusted trial balance and financial statements are prepared. These documents are shown in Figure 11 through Figure 16.

Incorporating Computerized Techniques into the Principles of Accounting Course

The instructional accounting materials utilizing the computer developed at Danville Community College are not used to replace the traditional accounting textbook. The role of these materials is to reinforce those accounting concepts presented in a traditional accounting text. The student is introduced to accounting concepts using the traditional manual approach to the solving of accounting problems. After this introduction, the computer is used to reinforce the concept. The computer, of course, relieves the student from performing most tedious mathematical computations. Since the programs developed are applicable to problems relating to sole proprietorships, partnerships, and corporations, they may be used throughout the principles of accounting course.

The programs allow the instructor to present a more realistic view of accounting because the computer can process a much larger number of transactions than would be practical using a manual approach. Printouts produced by the programs can be used to effectively trace the flow of an accounting transaction through the accounting cycle. Financial statement analysis can be expanded since all information necessary for analysis is presented on the printout from the computer. Bank reconciliations, statement of change in financial condition, and other *detailed* analysis can easily be produced from

the information printed by the computer. This additional analysis tends to give the student a better understanding of the accounting process.

Advantages Derived from Integrating Computerized Concepts into Principles of Accounting

This computerized approach to the teaching of principles of accounting at Danville Community College presents the following advantages to the accounting student:

1. The student is relieved of tedious calculations—almost all arithmetic operations are performed by the computer.
2. The boredom of the posting process is eliminated.
3. The student has a complete set of books for analysis.
4. The student is introduced to accounting methodology which closely parallels actual business practice.

In addition, the use of the accounting package developed at DCC allows the instructor to quickly locate student errors in problems through the diagnostics produced by the programs. This additional time can be used to assist students in acquiring mastery of accounting principles rather than looking for arithmetic errors.

Note

All correspondence and requests for program data should be directed to Professor Parrish.

Figure 1

The trial balance of Jones Office Supply Company at October 1 of the current year is presented below.

Account No.	Account Name	Debit	Credit
111	Cash on hand	100.00	
112	Cash in bank	7 564.44	
113	Notes Receivable	400.00	
114	Accounts Receivable	10 918.60	
117	Merchandise Inventory	7 500.00	
119	Office supplies	875.00	
120	Prepaid Insurance	600.00	
124	Store Equipment	25 000.00	
211	Accounts Payable		340.00
218	Sales Tax Payable		790.88
223	Mortgage Payable		32 500.00
311	A Capital		9 035.00
411	Sales Department A		4 852.00
412	Sales Department B		2 354.00
413	Sales Department C		1 396.00
414	Sales Department D		3 670.00
415	Sales Discount	87.08	
416	Sales Returns and Allowance	25.00	
418	Interest Income		12.00
511	Purchases	1 300.00	
512	Purchases Discounts		26.00
517	Advertising Expense	155.00	
520	Store Supplies	100.00	
542	Repairs and Maintenance	350.76	
	Total	54 975.88	54 975.88

The following transactions were completed by the Jones Office Supply Company during October of the current year.

Oct. 1 Sold merchandise on account to Bass Brothers, Inc., invoice No. 101, Department A, $580.00.

2 Sold merchandise on account to Cone Mfg. Co., invoice no. 102, Department B, $670.00 plus freight prepaid $15.00.

3 Purchased merchandise on account from Custom Wholesale Co., $126.10; order no. 201.

4 Purchased merchandise on account from Gregory Paper Co., $12,672.00, order no. 202.

5 Issued check no. 801 to Jones Realty in payment of rent for October, $400.00.

9 Received payment from Bass Brothers, Inc., for sales invoice no. 101, dated October 1 in the amount of $603.20 less 2 percent discount, receipt number 402, $580.00 sales price.

12 Issued check no. 802 to Custom Wholesale Co. in payment of purchase order no. 131 dated October 3, in the amount of $126.10, less 1 percent discount.

31 Receipt no. 403 indicated the following summary of cash sales for October 1-31.

	Sales	Sales Tax Collected	Total
Dept. A	$1,573.00	$62.92	$1,635.92
Dept. B	460.00	18.40	478.40

31 Deposits to the bank for the month of October totaled $2,705.92. The total bank deposit must be recorded by a general journal entry with a debit to Account 112, cash in bank, and a credit to Account 111, cash on hand.

31 Recorded in the general journal the following payroll for October.

Sales Salaries	$2,050.00	
Office Salaries	450.00	
Total		$2,500.00
Total Withheld:		
Federal Income taxes	275.00	
FICA Taxes	146.25	
State Income Taxes	75.00	
Total		496.25
Net Payroll		$2,003.75

31 Issued check no. 803 to the Payroll Bank Account for the net amount of the payroll.

31 Issued purchase order no. 203 to Bell Telephone Co. for October telephone charges, $38.60.

Figure 2

CHART OF ACCOUNTS

Balance Sheet Accounts

1. Assets

Account #	Account
110	Petty Cash
111	Cash on Hand
112	Cash in Bank
113	Notes Receivable
114	Accounts Receivable
115	Allowance for Doubtful Accts.
116	Marketable Securities
117	Merchandise Inventory
118	Store Supplies
119	Office Supplies
120	Prepaid Insurance
121	Prepaid Rent
122	Other Prepaid Items
123	Cash Value Life Insurance
124	Store Equipment
125	Accum. Depr. Store Equipment
126	Office Equipment
127	Accum Depr. Office Equipment
128	Auto and Trucks
129	Accum. Depr. Auto & Trucks
130	Buildings
131	Accum. Depr. - Buildings
132	Land
133	Goodwill
134	Organization Costs
135	Patents
136	Disc. on Bonds Payable
137	Other Assets

2. Liabilities

211	Accounts Payable
212	Notes Payable
213	Fed. Inc. Tax Withheld
214	FICA Tax Payable
215	State Inc. Tax Withheld
216	Fed. Unempl. Tax Payable
217	State Unempl. Tax Payable
218	Sales Tax Payable
219	Interest Payable
220	Dividends Payable
221	Salaries Payable
222	Accrued Liabilities
223	Mortgage Payable - Current
224	Bonds Payable
230	Deferred Taxes
231	Other Liabilities

3. Capital

311	A Capital
312	B Capital
313	A Drawing
314	B Drawing
315	Common Stock
316	Premium on Common Stock
317	Discount on Common Stock
318	Preferred Stock
319	Premium on Preferred Stock
320	Treasury Stock
321	Paid in Capital - Treas. Stock
322	Stock Dividend Distributable
323	Cash or Stock Dividend
325	Retained Earnings Appropriated
326	Retained Earnings Appropriated
327	Retained Earnings Appropriated
328	Retained Earnings - Unappropriated
330	Expense & Revenue Summary

Figure 2 (con't.)

Income Statement Accounts

4. Revenue

Account #	Account
411	Sales Dept. A
412	Sales Dept. B
413	Sales Dept. C
414	Sales Dept. D
415	Sales Discounts
416	Sales Returns & Allowances
417	Service Revenue
418	Interest Income
419	Other Income
420	Gain on Sale of Assets

5. Expenses

	COST OF GOODS SOLD
511	Purchases
512	Purchase Discounts
513	Purchase Returns & Allowances
514	Freight In
	SELLING EXPENSES
516	Sales Salaries
517	Advertising Expenses
518	Depreciation - Store Equip.
519	Insurance - Selling
520	Store Supplies
521	Misc. Selling Expense
522	Delivery Expense
	GENERAL & ADMINISTRATIVE
530	Office Salaries
531	Officer Salaries
532	Taxes - Payroll
533	Taxes - Other
534	Depr. Exp. - Building
535	Depr. Exp. - Office
536	Ins. Exp. - General
537	Office Supplies Expense
538	Misc. General Expenses
539	Rent Expense
540	Utilities
541	Telephone
542	Repairs & Maintenance
543	Bad Debt Expense
550	Interest Expense
551	Loss on Sale of Assets

Figure 3

SALES JOURNAL CODING FORM

DATE	ACCT#	INV#	NAME OF CUSTOMER ACCOUNT DEBITED	AMOUNT OF SALE	PREPAID FREIGHT	BLANK	CODE
100176	411	201	BASS Brothers Inc	580.00			SA
100276	412	202	Rand Mfg Co.	672.00	15.00		SA

PURCHASES JOURNAL OR VOUCHER REGISTER

DATE	ACCT#	PURCHASE ORDER #	NAME OF CREDITOR FROM WHOM PURCHASE WAS MADE	AMOUNT OF PURCHASE	BLANK	BLANK	CODE
100376	511	201	Custom Wholesale Co	126.10			PU
100476	511	202	Gregory Paper Co	2472.00			PU
100376	514	203	Beck Telephone Co	32.60			PU

CASH RECEIPTS JOURNAL

DATE	ACCT#	RECEIPT #	NAME OF CUSTOMER OR NAME OF ACCOUNT CREDITED	AMOUNT OF CREDIT TO ACCOUNTS RECEIVABLE OR TOTAL CASH RECEIVED FOR OTHER THAN ACCTS. RECEIVABLE	DISCOUNT BASIS OR AMOUNT OF SALES TAX COLLECTED ON CASH SALES	DISCOUNT PERCENTAGE	CODE
100376	1140	02	BASS Brothers	603.20	580.00	.02	CR
100376	1140	03	CASH SALES Dept A	1523.00	67.92		CR
100376	1240	03	CASH SALES Dept B	1466.00	78.40		CR

Figure 3 (con't.)

CASH PAYMENTS JOURNAL OR CHECK REGISTER

DATE	ACCT#	CHECK#	PAYEE OF CHECK	AMOUNT OF DEBIT TO ACCOUNTS PAYABLE OR TOTAL CASH PAID FOR OTHER THAN ACCOUNTS PAYABLE	DISCOUNT BASIS	DISCOUNT PERCENTAGE	CODE
1/03/76	53	501	JONES REALTY	400.00			
1/03/76	21	502	CARSON WHOLESALE CO	126.10	126.10	.01	
1/03/76	221	503	PAYROLL BOOK ACCOUNT	2003.75			

GENERAL JOURNAL

DATE	ACCT#		THE NAME OF THE ACCOUNT WHICH IS DEBITED OR CREDITED	AMOUNT OF DEBIT OR CREDIT	BLANK	Code
1/03/76	112		CASH in BANK	2705.92		
1/03/76	111		CASH on HAND	-2705.92		
1/03/76	576		SALES SALARIES	3750.00		
1/03/76	530		OFFICE SALARIES	450.00		
1/03/76	213		FEDERAL INCOME TAX	-375.00		
1/03/76	214		FICA TAX WITHHELD	-146.25		
1/03/76	215		STATE INCOME TAX	-75.00		
1/03/76	221		SALARIES PAYABLE	-2003.75		

Figure 4

SALES JOURNAL

PAGE 1

DATE	ACCOUNT DEBITED	INVOICE NUMBER	ACCOUNTS REC (DR)	SALES TAX (CR)	DELIVERY EXPENSE (CR)	SALES DEPT. A (CR)	SALES DEPT. B (CR)	SALES DEPT. C (CR)	SALES DEPT. D (CR)
10- 1	BASS BROTHERS, INC	101	603.20	23.20		580.00			
10- 2	CONE MFG CO	102	711.80	26.80	15.00		670.00		
			1315.00	50.00	15.00	580.00	670.00	0.0	0.0

Figure 5

PURCHASES JOURNAL

PAGE 1

DATE	ACCOUNT CREDITED	ORDER NUMBER	ACCOUNTS PAYABLE (CR)	PURCHASES (DR)	STORE SUPPLIES (DR)	OFFICE SUPPLIES (DR)	SUNDRY ACCOUNTS (DR) ACCOUNT	AMOUNT
10- 3	CUSTOM WHOLESALE CO	201	126.10	126.10				
10- 4	GREGORY PAPER CO	202	12672.00	12672.00				
10-31	BELL TELEPHONE CO	203	38.60				TELEPHONE EXPENSE	38.60
			12836.70	12798.10	0.0	0.0		38.60

Figure 6

CASH RECEIPTS JOURNAL

PAGE 1

DATE	ACCOUNT CREDITED	RECEIPT NUMBER	SUNDRY ACCOUNTS (CR)	SALES DEPT. A (CR)	SALES DEPT. B (CR)	SALES DEPT. C (CR)	SALES DEPT.D (CR)	SALES TAX (CR)	ACCOUNTS REC (CR)	SALES DISCOUNT (CR)	CASH (DR)
10- 9	BASS BROTHERS	402							603.20	11.60	591.60
10-31	CASH SALES DEPT A	403		1573.00				62.92			1635.92
10-31	CASH SALES DEPT B	403			460.00			18.40			478.40
			0.0	1573.00	460.00	0.0	0.0	81.32	603.20	11.60	2705.92

Figure 7

CASH PAYMENTS JOURNAL

DATE	ACCOUNT DEBITED	CHECK NUMBER	SUNDRY ACCOUNTS (DR)	ACCOUNTS PAYABLE (DR)	PURCHASES DISCOUNT (CR)	CASH (CR)
10- 5	JONES REALTY	801	400.00			400.00
10-12	CUSTOM WHOLESALE CO	802		126.10	1.26	124.84
10-31	PAYROLL BANK ACCOUNT	803	2003.75			2003.75
			2403.75	126.10	1.26	2528.59

Figure 8

GENERAL JOURNAL

DATE	ACCOUNT	DEBIT	CREDIT
10-31	CASH IN BANK	2705.92	
	CASH ON HAND		2705.92
10-31	SALES SALARIES	2050.00	
	OFFICE SALARIES	450.00	
	FED INC TAX WITHHELD		275.00
	FICA TAX PAYABLE		146.25
	STATE INC TAX WITH		75.00
	SALARIES PAYABLE		2003.75
	TOTAL	5205.92	5205.92

Figure 9

GENERAL LEDGER

ACCOUNT NAME: CASH ON HAND ACCOUNT NO. 111

DATE	REFERENCE	DEBIT	CREDIT	BALANCE
10- 1	BEGINNING BALANCE	100.00		100.00
10- 1	CR	2705.92		2305.92
10-31	GJ		2705.92	100.00

ACCOUNT NAME: CASH IN BANK ACCOUNT NO. 112

DATE	REFERENCE	DEBIT	CREDIT	BALANCE
10- 1	BEGINNING BALANCE	7564.44		7564.44
10- 1	CP		2528.59	5035.85
10-31	GJ	2705.92		7741.77

ACCOUNT NAME: NOTES RECEIVABLE ACCOUNT NO. 113

DATE	REFERENCE	DEBIT	CREDIT	BALANCE
10- 1	BEGINNING BALANCE	400.00		400.00

ACCOUNT NAME: ACCOUNTS RECEIVAB ACCOUNT NO. 114

DATE	REFERENCE	DEBIT	CREDIT	BALANCE
10- 1	BEGINNING BALANCE	10918.60		10918.60
10- 1	SJ	1315.00		12233.60
10- 1	CR		603.20	11630.40

ACCOUNT NAME: MERCHANDISE INVENT ACCOUNT NO. 117

DATE	REFERENCE	DEBIT	CREDIT	BALANCE
10- 1	BEGINNING BALANCE	7500.00		7500.00

ACCOUNT NAME: OFFICE SUPPLIES ACCOUNT NO. 119

DATE	REFERENCE	DEBIT	CREDIT	BALANCE
10- 1	BEGINNING BALANCE	875.00		875.00

ACCOUNT NAME: PREPAID INSURANCE ACCOUNT NO. 120

DATE	REFERENCE	DEBIT	CREDIT	BALANCE
10- 1	BEGINNING BALANCE	600.00		600.00

ACCOUNT NAME: STORE EQUIPMENT ACCOUNT NO. 124

DATE	REFERENCE	DEBIT	CREDIT	BALANCE
10- 1	BEGINNING BALANCE	25000.00		25000.00

Figure 10

TRIAL BALANCE

NO	ACCOUNT	DEBIT	CREDIT
111	CASH ON HAND	100.00	
112	CASH IN BANK	7741.77	
113	NOTES RECEIVABLE	400.00	
114	ACCOUNTS RECEIVAB	11630.40	
117	MERCHANDISE INVENT	7500.00	
119	OFFICE SUPPLIES	875.00	
120	PREPAID INSURANCE	600.00	
124	STORE EQUIPMENT	25000.00	
211	ACCOUNTS PAYABLE		13050.60
213	FED INC TAX WITHHELD		275.00
214	FICA TAX PAYABLE		146.25
215	STATE INC TAX WITH		75.00
218	SALES TAX PAYBL		922.20
223	MORTGAGE PAYABLE		32500.00
311	A CAPITAL		9035.00
411	SALES DEPT A		7005.00
412	SALES DEPT B		3484.00
413	SALES DEPT C		1396.00
414	SALES DEPT D		3670.00
415	SALES DISCOUNT	98.68	
416	SALES RET AND ALLOWS	25.00	
419	INTEREST INCOME		12.00
511	PURCHS	14098.10	
512	PURCHS DISCTS		27.26
516	SALES SALARIES	2050.00	
517	ADVERTISING EXPENSE	155.00	
520	STORE SUPPLIES	100.00	
522	DELIVERY EXPENSES		15.00
530	OFFICE SALARIES	450.00	
539	RENT EXPENSE	400.00	
541	TELEPHONE EXPENSE	38.60	
542	REPAIRS AND MAINTEN	350.76	
		71613.31	71613.31

Figure 11

An examination of the trial balance prepared in Phase I reveals the necessity for the following adjustments before financial statements are prepared:

1. A physical count of the merchandise inventory at October 31 revealed the value of merchandise inventory to be $14,589.50.
2. The value of office supply inventory is $526.50.
3. Insurance expired during the month was $50.00.
4. Depreciation on store equipment for the month was $49.78.
5. Employer payroll taxes for the month are as follows:

FICA Expense	$146.25
Federal Unemployment	67.50
State Unemployment	10.00
Total	$223.75

6. Interest accrued on Mortgage Payable, $208.93
7. Allowance for doubtful accounts is estimated at 1% of the balance in Accounts Receivable.

Figure 11-A

Figure 11-A

GENERAL JOURNAL

DATE	ACCT #		THE NAME OF THE ACCOUNT WHICH IS DEBITED OR CREDITED.	AMOUNT OF DEBIT OR CREDIT	BLANK	
illegible						

Figure 12

GENERAL JOURNAL

DATE	ACCOUNT	DEBIT	CREDIT
	ADJUSTING ENTRIES		
10-31	EXP & REV SUMMARY	7500.00	
	MERCHANDISE INVENT		7500.00
10-31	MERCHANDISE INVENT	11931.85	
	EXP & REV SUMMARY		11931.85
10-31	OFFICE SUPPLIES EXP	348.50	
	OFFICE SUPPLIES		348.50
10-31	INSURANCE EX GENER	50.00	
	PREPAID INSURANCE		50.00
10-31	DEPR STOR EQUIP	49.78	
	ACCUM DEPR STO EQUIP		49.78
10-31	PAYROLL TAXES	223.75	
	FICA TAX PAYABLE		146.25
	FED UNEM TAX PAY		67.50
	STATE UNEM TAX PAY		10.00
10-31	INTEREST EXPENSE	208.93	
	INTEREST PAYABLE		208.93
10-31	BAD DEBT EXPENSE	116.30	
	ALLOW FOR DOUBT ACCT		116.30
	TOTAL	20429.11	20429.11

Figure 12-A

ACCOUNT NAME: ALLOW FOR DOUBT ACCT ACCOUNT NO. 115

DATE	REFERENCE	DEBIT	CREDIT	BALANCE
10-30	BEGINNING BALANCE			0.0
10-31	GJ		116.30	-116.30

ACCOUNT NAME: MERCHANDISE INVENT ACCOUNT NO. 117

DATE	REFERENCE	DEBIT	CREDIT	BALANCE
10-30	BEGINNING BALANCE	7500.00		7500.00
10-31	GJ		7500.00	0.0
10-31	GJ	11931.85		11931.85

ACCOUNT NAME: OFFICE SUPPLIES ACCOUNT NO. 119

DATE	REFERENCE	DEBIT	CREDIT	BALANCE
10-30	BEGINNING BALANCE	875.00		875.00
10-31	GJ		348.50	526.50

ACCOUNT NAME: PREPAID INSURANCE ACCOUNT NO. 120

DATE	REFERENCE	DEBIT	CREDIT	BALANCE
10-30	BEGINNING BALANCE	600.00		600.00
10-31	GJ		50.00	550.00

ACCOUNT NAME: STORE EQUIPMENT ACCOUNT NO. 124

DATE	REFERENCE	DEBIT	CREDIT	BALANCE
10-30	BEGINNING BALANCE	25000.00		25000.00

Figure 13

ADJUSTED TRIAL BALANCE

NO	ACCOUNT	DEBIT	CREDIT
111	CASH ON HAND	100.00	
112	CASH IN BANK	7741.77	
113	NOTES RECEIVABLE	400.00	
114	ACCOUNTS RECEIVAB	11630.40	
115	ALLOW FOR DOUBT ACCT		116.30
117	MERCHANDISE INVENT	11931.85	
119	OFFICE SUPPLIES	526.50	
120	PREPAID INSURANCE	550.00	
124	STORE EQUIPMENT	25000.00	
125	ACCUM DEPR STO EQUIP		49.78
211	ACCOUNTS PAYABLE		13050.60
213	FED INC TAX WITHHELD		275.00
214	FICA TAX PAYABLE		292.50
215	STATE INC TAX WITH		75.00
216	FED UNEM TAX PAY		67.50
217	STATE UNEM TAX PAY		10.00
218	SALES TAX PAYBL		922.20
219	INTEREST PAYABLE		208.93
223	MORTGAGE PAYABLE		32500.00
311	A CAPITAL		9035.00
330	EXP & REV SUMMARY		4431.85
411	SALES DEPT A		7005.00
412	SALES DEPT B		3484.00
413	SALES DEPT C		1396.00
414	SALES DEPT D		3670.00
415	SALES DISCOUNT	98.68	
416	SALES RET AND ALLOWS	25.00	
418	INTEREST INCOME		12.00
511	PURCHS	14098.10	
512	PURCHS DISCTS		27.26
516	SALES SALARIES	2050.00	
517	ADVERTISING EXPENSE	155.00	
518	DEPR STOR EQUIP	49.78	
520	STORE SUPPLIES	100.00	
522	DELIVERY EXPENSES		15.00
530	OFFICE SALARIES	450.00	
532	PAYROLL TAXES	223.75	
536	INSURANCE EX GENER	50.00	
537	OFFICE SUPPLIES EXP	348.50	
539	RENT EXPENSE	400.00	
541	TELEPHONE EXPENSE	38.60	
542	REPAIRS AND MAINTEN	350.76	
543	BAD DEBT EXPENSE	116.30	
550	INTEREST EXPENSE	208.93	
		76643.92	76643.92

Figure 14

INCOME STATEMENT

REVENUE:			
SALES DEPT A	7005.00		
SALES DEPT B	3484.00		
SALES DEPT C	1396.00		
SALES DEPT D	3670.00		
TOTAL SALES		15555.00	
LESS: SALES RET AND ALLOWS	25.00		
LESS: SALES DISCOUNT	98.68		
		123.68	
NET SALES/REVENUE			15431.32
COST OF MERCHANDISE SOLD:			
BEGINNING INVENTORY		7500.00	
PURCHS	14098.10		
TOTAL	14098.10		
LESS: PURCHS DISCTS	27.26		
NET PURCHASES		14070.84	
MDSE AVAILABLE FOR SALE		21570.84	
LESS: ENDING INVENTORY		11931.85	
COST OF MDSE SOLD			9638.99
GROSS PROFIT ON SALES			5792.33
OPERATING EXPENSES:			
SELLING EXPENSES:			
SALES SALARIES	2050.00		
ADVERTISING EXPENSE	155.00		
DEPR STOR EQUIP	49.78		
STORE SUPPLIES	100.00		
DELIVERY EXPENSES	-15.00		
TOTAL SELLING EXPENSES		2339.78	
GENERAL EXPENSES:			
OFFICE SALARIES	450.00		
PAYROLL TAXES	223.75		
INSURANCE EX GENER	50.00		
OFFICE SUPPLIES EXP	348.50		
RENT EXPENSE	400.00		
TELEPHONE EXPENSE	38.60		
REPAIRS AND MAINTEN	350.76		
BAD DEBT EXPENSE	116.30		
TOTAL GENERAL EXPENSES		1977.91	
TOTAL OPERATING EXPENSES			4317.69
INCOME FROM OPERATIONS			1474.64
OTHER INCOME:			
INTEREST INCOME	12.00		
TOTAL OTHER INCOME		12.00	
OTHER EXPENSES:			
INTEREST EXPENSE	208.93		
TOTAL OTHER EXPENSES		208.93	
			-196.93
NET INCOME BEFORE TAXES			1277.71

Figure 15

```
***CAPITAL STATEMENT***

BEGINNING A CAPITAL                                          9035.00
NET INCOME                                    1277.71
    LESS: A DRAWING                              0.0
                                              ---------
NET INCREASE                                                 1277.71
                                                            ---------
ENDING CAPITAL                                              10312.71
                                                            =========
```

Figure 16

```
***BALANCE SHEET***

                          ASSETS
                          ------

CURRENT ASSETS:
  CASH ON HAND                                    100.00
  CASH IN BANK                                   7741.77
  NOTES RECEIVABLE                 400.00
  ACCOUNTS RECEIVAB              11630.40
    LESS:  ALLOW FOR DOUBT ACCT   -116.30
                                  ---------
                                                11914.10
  MERCHANDISE INVENT                            11931.85
  OFFICE SUPPLIES                                 526.50
  PREPAID INSURANCE                               550.00
                                                ---------
                                                             32764.22

LAND, BUILDINGS, AND EQUIPMENT:

                          COST      ACCUMULATED DEPRECIATION   BOOK VALUE
  STORE EQUIPMENT      25000.00          49.78                24950.22
                       ---------      ---------               ---------
                       25000.00          49.78                24950.22
                       =========      =========
                                                            ---------
TOTAL ASSETS                                                 57714.44
                                                            =========

                        LIABILITIES
                        -----------

CURRENT LIABILITIES:
  ACCOUNTS PAYABLE                              13050.60
  FED INC TAX WITHHELD                            275.00
  FICA TAX PAYABLE                                292.50
  STATE INC TAX WITH                               75.00
  FED UNEM TAX PAY                                 67.50
  STATE UNEM TAX PAY                               10.00
  SALES TAX PAYBL                                 922.20
  INTEREST PAYABLE                                208.93
                                                ---------
                                                             14901.73

LONG-TERM DEBT:
  MORTGAGE PAYABLE                              32500.00
                                                ---------
                                                             32500.00
                                                            ---------
TOTAL LIABILITIES                                            47401.73

                          CAPITAL
                          -------

ENDING CAPITAL                                               10312.71

TOTAL LIABILITIES AND CAPITAL                                57714.44
                                                            =========
```